

Discount Brands

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1.0 INTRODUCTION

The price of cigarettes is one of the most important factors affecting tobacco consumption (World Bank 1999) as high cigarette prices can prevent people from taking up smoking and encourage those who smoke to quit (ASH 2002). The World Bank (1999) calculated that a 10% increase in the price of cigarettes can reduce demand by around 4% in high income countries. The UK has the highest tobacco taxes in the European Union with around 80% of cigarette prices comprising tax (ASH 2002). Due to this high cost of cigarettes many smokers are switching to lower priced discount brands.

In 1999 the House of Commons Health Select Committee obtained access to the internal documents of five main advertising agencies of the UK tobacco industry. The five agencies were: CDP, M&C Saatchi, Mustoe Merriman Herring and Levy, TBWA GCT Simon Palmer Limited and Lowe Howard-Spink. A range of documents were obtained including: contact reports between client and agency, client briefs, creative briefs, media briefs, media schedules, advertising budgets and market research reports (their own and other contracted agencies). These documents were scanned during the summer of 2002 at the Centre for Tobacco Control Research to develop a searchable electronic archive (<http://www.tobaccopapers.com>). This site was searched using the keyword 'economy' yielding 55 results. All of these documents were briefly reviewed online to determine their significance and those relevant were printed out for review.

The documents highlight that:

1. The price of cigarettes is becoming a problem for many smokers and the opportunity exists to switch to lower priced brands.
2. A considerable amount of research is conducted to examine who smokes discount brands and why.
3. Discount brands are becoming more popular among lower socio-economic groups and advertising is designed to reflect this.
4. Advertising focuses on below-the-line promotions and is designed to reassure smokers of the quality and acceptability of discount brands.
5. Advertising before the Budget is a frequently adopted strategy to counter tax increases.
6. Discount brands attract the patronage of young smokers.

2.0 ANALYSIS OF INTERNAL DOCUMENTS

2.1 The Price of Cigarettes is Becoming a Problem for Many Smokers and the Opportunity Exists to Switch to Discount Brands

Within the UK cigarette market there is an increasing trend among smokers to switch to lower priced, discount brands. This is due to the increasing price of cigarettes and consequently many smokers cannot afford to smoke premium brands or are not willing to pay premium prices. Discount brands therefore allow smokers to continue to smoke and at the same level as before:

*'Who are we talking to?
Quality conscious cheap sector smokers. Not everyone can afford or is willing to pay £3.50 for a packet of cigarettes. More and more people have been switching to cheaper brands as the price of cigarettes has gone up and up.'*
(M&C Saatchi Creative Brief, 1998a)

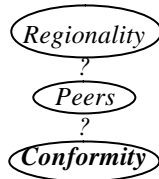
*'A lot of people smoke because they enjoy it. Although aware of all the health concerns and social pressures they simply enjoy smoking, in the same way that people enjoy a drink or a night out. **The increasing problem for these smokers is that cigarettes are getting more and more expensive. A packet of B&H or Embassy is now £3.42. In order to carry on with their smoking therefore, many people are turning to cheaper brands such as Mayfair. Mayfair has been the fastest growing brand in the market place. It sells well because people see it as offering reasonable quality, nicely packaged, and all at an exceptionally good price.'***
(CDP Creative Brief, 1998)

*'The move to ultra cheap brands maybe attributed to the economic climate and the **increasing financial pressures placed on smokers; instead of cutting down the number of cigarettes smoked, smokers choose to trade down to a cheaper brand.'***
(Gallaher Ltd. Memorandum, 1999)

2.2 A Considerable Amount of Research is Conducted into Who Smokes These Brands and Why

The industry conducts research to explore motivations for smoking economy brands. The research highlights that the choice of cigarette brand focuses strongly on smokers' emotional needs such as the need to conform with peers and a desire to smoke regionally popular brands:

'Therefore broadly, there are pressures in terms of brand choice to conform to big volume brands.



Therefore, there appears to be an underlying trend and desire to fit into 'other' brand choices. Not surprisingly then, respondents who were smoking lower priced brands had tended to have traded down from premium brands. This was often due to:

- Changes in circumstances (unemployment).
- Overall financial pressure - could not justify extra expense.
- Felt that they received a financial benefit, whilst still smoking an acceptable brand.

However, even amongst loyal premium smokers, there appeared to be less stigma attached to the smoking of lower priced brands than was once the case. Further, there did appear to be a sliding scale of sensitivity to the smoking of lower priced brands:

Younger men	Younger women	_____	Older men	Older women
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Decreasingly sensitive

This reduction in the sensitivity of smoking lower priced brands appeared to be due to fairly simple reasons:

- **Their greater presence in the market place.**
- **More people were seen with them.**
- More individuals had personally tried them.
- A real feel for the disparity in the cost of premium and lower priced brands.

Conclusions and Recommendations

The core conclusions from this study can be summarised as follows:-

It would appear that consumers have an underlying desire for their brands to fit in and conform. This effectively means that they desire for their brand to be premium in nature. Importantly, being premium not only means:

Good quality

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But importantly popular and accepted

(M&C Saatchi Research Debrief, 1998b)

As the price of cigarettes continues to increase smokers are becoming more likely to trade down to discount brands which are becoming more and more acceptable due to their increased recognition and popularity in the market-place. Overall, the industry recognises that discount brands have the potential to fulfil both the emotional needs (eg. conformity) and the practical needs (eg. monetary concerns) of many smokers (see Section 2.4).

2.3 Discount Brands are Becoming More Popular Among Lower Socio-economic Groups and Advertising is Designed to Reflect This

The tobacco industry recognises that it tends to be lower socio-economic groups who switch to discount brands:

'In total, around a quarter of all switchers moved to a lower priced brand. Among all class groups, switching down in price exceeds switching up in price. However, overall price switching is much greater among downmarket groups than upmarket groups - over half of all DE switchers changed price sector compared with less than half of all AB switchers.'

(Rothmans Report, 1997a)

The documents highlight how acutely aware the industry are of what this group requires from their brand and the kind of advertising that appeals to them. For example, such groups require a sense of community and to fit in:

*Who are we talking to?
Attitudinally smokers of cheaper brands are quite traditionally working class. A sense of community - fitting in - is very important. They do not relate to obscure Silk Cut type advertising (although they recognise what it is trying to do) but would seem to appreciate good gags which demonstrate a common touch.'*

(M&C Saatchi Creative Brief, 1998a)

The industry does not perceive these groups to be appreciative or able to engage with complex advertising and consequently design more simple advertising that meets their needs:

'Who are we talking to (Dorchester, Dickens & Grant) smokers who are looking for value for money, a brand low cost quality product. They are motivated by cigarettes in nice packs and will want to be associated with a brand that is being advertised, especially with a 'money-off' offer. They will also be compelled by the fact that this brand is from B&H. Heritage is very important to them. These people are not rocket scientists. They get frustrated by advertising that goes over their heads. They like to get involved in the advertising in some way.'

(M&C Saatchi Creative Brief, 1997)

2.4 Advertising Focuses on Below-the-line Media and is Designed to Reassure Smokers of the Quality and Acceptability of Discount Brands

Discount brands appear to utilise below-the-line promotions such as point-of-sale activity, direct mail, sampling and on-pack promotions. Price reductions appear to form a central element of these brands strategies:

'Sovereign advertising has employed a jester, a joke in the visual and emphasis on price. There has also been sampling activity and direct mail offering money off. Experience has indicated that price reductions are much more motivating to consumers than free gifts or other offers. The strategy has been to market price marked packs where possible, but plain packs in supermarkets to allow for discounting. This also applied to Lambert & Butler.'

(M&C Saatchi Research Debrief, 1998b)

The documents highlight how advertising is designed to fulfil consumers emotional needs when choosing a brand by: reassuring smokers of the acceptability and quality of discount brands; reducing the stigma associated with such brands; easing the guilt associated with smoking discount brands; and making them brands to be proud of:

'L&B is now ITL's biggest brand. The reasons for its success are not clear - it's done far better than its 'economy' peers - L&B is seen as superior to them, but below premium brands, and the only advertising support has been POS style executions re. price after a Budget. As L&B grows it gains critical mass - the more visible, the more socially acceptable. We want to build upon this momentum - or trigger it in upcoming areas - by reassuring smokers of L&B's acceptability.'

(Lowe Howard-Spink Creative Brief, 1996)

The above extract highlights the popularity of below-the-line promotions, particularly point-of-sale promotions, to the success of the Lambert & Butler (L&B) brand. Point-of-sale clearly has the ability to communicate brand values and contribute to the success of the brand:

*'The role of the advertising
To reassure that L&B is the quality value brand.'*

Target Audience

Smokers in their late 20's / early 30's who are with L&B or need to move to a cheaper fag but don't want to feel judged. L&B is perfect because it's difficult to categorise, so doesn't carry the stigma of other economy aka 'cheapo' brands. These people don't want the cigarettes they smoke to make a statement about them.

Proposition

L&B an economy brand you can respect.

Support

*1. L&B comes in a good-looking pin-striped silver pack that never looks out of place, it's a good quality smoke and has heritage in its name.
2. However, there's always a vivid flash on the pack. Whilst this may seem rather surprising given the brand's inherent respectability, flashes are actually the representation of a positive modern virtue-value.'*

(Lowe Howard-Spink Creative Brief, 1996)

'Why are we advertising?

To bring to the attention of smokers a 'too good to miss offer' to trial Sovereign.

Who are we talking to?

Cost conscious smokers. This means both Premium cigarette smokers who want better quality. For both, the issue is to get the best quality at the lowest price.'

(M&C Saatchi Creative Brief, 1997)

Discount brands are becoming just as acceptable as premium brands:

'Research suggests that L&B has the strongest brand values within the economy sector and from the consumer's perspective, is now becoming just as acceptable as many premium brands.'

(Rothmans Report, 1997b)

The industry are clearly aware of the insecurities people have in smoking discount brands, particularly those from lower socio-economic groups, and consequently design advertising to reassure them of their decision. For example, the following extract taken from a Sovereign Creative Brief discusses using B&H credentials to make the Sovereign brand more acceptable:

'The thinking

- **Smokers want to smoke quality cigarettes.**
- **Increasingly they cannot afford them.**
- **Sovereign from B&H offers them the opportunity to smoke a quality cigarette at an affordable price.**

Who are we talking to?
We are talking to a much broader audience of smokers than we used to be. Although premium brands still lead the market, the trend is to smoke cheaper brands of cigarettes these days. Therefore the demographics of our audience are much less well defined than they used to be. That said, cheap brand smokers are typically female (but by no means exclusively), younger (18-34, with the exception of Royals who are 24-44) and of lower socio-economic standing (we're talking DE here).

It's important that they see Sovereign as a sensible choice of fact and should not be made to feel guilty about buying a cheaper cigarette.'
 (M&C Saatchi Creative Brief, 1997)

'However, it is important not to think of these smokers as concerned only with saving money. They still expect quality cigarettes and they rightly expect to be treated with respect as discerning, intelligent consumers. They do not want to be reminded the whole time that they are smoking cheap fags, they want to be given good, strong reasons to choose a particular cheap brand over others.'

What they should think after seeing the advertising?

- *This is a quality (premium) cigarette at a price I am willing to pay.*
- *I am not compromising my desire to smoke good tobacco just because I have chosen to pay less.*
- ***This is a brand I can be proud of bringing out in front of my L&B smoking family and friends.'***

(M&C Saatchi Creative Brief, 1998a)

'Key messages

- *Quality at an affordable price.*
- ***Not compromising (too much) on quality just because I am paying less (reassurance)***

Tone of voice:

- *Unpretentious.*
- ***On your side, accessible.***
- *Stature, polished (demonstrate quality).*
- *Campaignable.'*

(M&C Saatchi Checklist, date unknown)

Overall, the proposition of these brands is quality cigarettes at an affordable price. The documents also highlight that, due to smokers' emotional needs, marketing activity is moving away from solely concentrating on price and focussing on building brand values and emphasising quality:

'The thinking

Everyone looks for the highest quality at low price.

Sovereign gives smokers a high quality cigarette at an affordable price.

Sovereign is the best value in the cigarette market.

Why are we advertising?

*To reignite the growth of Sovereign. Three years after launch, Sovereign has done well but not spectacularly so. **Recent research has shown up some flaws in recent communication with too heavy a focus on price and not enough on demonstrating the quality brand values which all smokers, whatever their budget, want to see in their chosen cigarette.***

(M&C Saatchi Creative Brief, 1998a)

*'The major dynamic within the UK Duty Paid cigarette market is the growth of the low price sector. The dominant player in this sector is L&B, which not only dictates the 'bottom' end of the market (ie. the low price sector itself), but is also re-defining the top end of the market in terms of fulfilling the top end of the market in terms of fulfilling consumer quality needs. **Recent L&B advertising has moved away from price positioning and now builds on brand credentials.***

Research has highlighted:

On the following attributes L&B has a clear advantage over Sovereign:

- *Easy to find wherever you go.*
- *For people who really enjoy smoking.*
- *Bright and colourful packet.*
- *For people like me.*

In addition, L&B is slightly more:

- *Sophisticated.*
- *Cheap and cheerful.*
- *For men, for younger, for successful and for business people.*
- *For outgoing and for independent people.'*

(Gallaher Ltd. Memorandum, 1999)

2.5 Advertising Just Before the Budget is a Frequently Adopted Strategy to Counter Tax Increases

Marketing activity, particularly focussing on price, just before price increases are expected at Budget time appear to be particularly popular for discount brands:

'Why are we advertising?

To tell smokers that despite the budget, Sovereign has held its price.

Who are we talking to?

People who are likely to trade down from their current 'premium' smoke especially as a result of prices going up with the budget.'

(M&C Saatchi Creative Brief, 1997)

'Many people decide to switch to brands such as Mayfair when the budget puts up the price of cigarettes – Dec, Jan. We wish to advertise just before this period, to maximise the numbers who take up Mayfair. This means that the task of the campaign will be to position Mayfair as the best value brand in the market. Being a positioning job means that the advertising will need to be more than simply a packshot and a price flash.'

(CDP Creative Brief, 1998)

2.6 Discount Brands Attract the Patronage of Young Smokers

The documents also highlight that discount brands are used by young smokers and that the number of young smokers smoking economy priced brands is increasing:

*'It is interesting that Mayfair KS – which achieves a main share of young adult smokers broadly in line with its main brand share of all smokers – has a considerably higher rate of occasional brand usage among young adult smokers. **This may indicate that young adult smokers are dipping into and out of the brand according to their financial situation.***

*'Given the relatively image conscious nature of young adult smokers, it is no surprise that over two-thirds of them choose a premium brand, compared with half of all smokers. **However, young adult smokers are also more likely than all smokers to choose an economy brand.***

'Since 1995, the proportion of young adult smokers choosing a premium brand has fallen from 74% to 69%, while the proportion of young adult smokers choosing an economy brand has increased from 13% to 22% in the same period.'

(Rothmans Report, 1998)

The documents demonstrate that discount brands are becoming more acceptable among younger smokers.

3.0 CONCLUSIONS

The price of tobacco products has been shown to be one of the most influencing factors in persuading young people not to start smoking and in encouraging smokers to quit. Discount brands therefore have the potential to aid those who cannot afford, or are not willing to pay, premium prices to continue smoking.

Discount brands are also increasingly fulfilling the emotional needs of smokers (eg. regionally popular and reassurance surrounding quality). This is particularly important when considering young people, who tend to be more image conscious, and those from lower socio-economic groups, who may require reassurance regarding their brand choice. Discount brands may therefore make the up-take of smoking relatively easier for young people and may also serve to remove, to some extent, a motivation for quitting among current smokers who have concerns about price.

Marketing activity for these brands tends to focus on below-the-line promotions which have less comprehensive cover by the Tobacco Advertising and Promotion (2002) Act than above-the-line marketing tools. The internal documents have demonstrated that these tools are being used by the industry to promote these brands and have the ability to communicate brand values to smokers. The opportunity therefore exists for discount brands to continue communicating with smokers in the face of advertising and promotion restrictions.

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